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June 18, 1997

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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

Federal Communications Commission
Office of Secretary

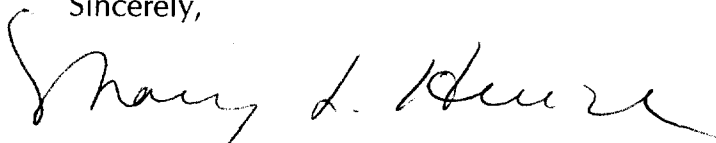
Re: Federal-State Joint Board on Universal Service: CC Dkt No. 96-45

Dear Mr. Caton,

On June 17, Christine Malone and BB Nugent of US West, Marvin Bailey of Ameritech, Robert Shives of SBC Communications, and the undersigned met with Irene Flannery and Kim Parker of the Universal Service Branch to discuss issues related to the treatment of consortium under the FCC's Universal Service Order. The discussion focused on a list of questions presented by the companies in order to clarify the application of the FCC's Order to a variety of customer situations experienced in the field. The list of questions was provided to the Commission staff and is attached.

This notice is being filed today pursuant to Section 1.1206(b)(2) of the Commission's rules. If you have any questions concerning this filing, please do not hesitate to contact me.

Sincerely,



Mary L. Henze
Assistant Director - Policy Analysis

cc: I. Flannery
K. Parker

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List ABCDE

Basic Universal Service Consortia Questions

1. Under the FCC's Order, consortia that contain private entities are treated differently than consortia that contain only eligible schools, libraries, rural healthcare providers and other public (i.e., governmental) entities. What entity, if any, is responsible for determining and/or certifying which category a consortia falls into? Will this information be posted on the Website so that all providers will be assured of applying the appropriate rules to each consortia? Do the eligibility rules laid out in the FCC Order apply for USF benefits for both inter and intrastate services? (paragraph 569)?
2. Are state networks considered "consortia" for purposes of this order? If so, are all entities that participate in the State network considered "consortium members"? If private entities (i.e., private university, private for-profit hospital) are among the members of the State network/consortium does this disqualify the eligible entities that are also part of that State network/consortium from receiving USF discounts?
3. Does the fact that a State network/consortium currently receives a special non-tariffed contract rate have an impact on the ability of the eligible entities within that consortium to obtain USF benefits?
4. What entity is responsible for identifying the individual members of a consortium and certifying their individual eligibility status for purposes of ensuring that USF benefits are applied correctly (i.e., discount levels (for schools and libraries, location and mileage factors (rural healthcare providers), services subscribed to, and individual usage characteristics))? To whom is this information provided and when? If the consortium undergoes membership, usage, or other changes that effect the calculation of USF benefits, what is the procedure for ensuring that those benefits continue to be applied correctly?
5. If a consortium currently receives a single consolidated bill from a provider, and would like to continue to do so, is the lead consortium member responsible for ensuring that each individual member receives the correct Universal Service benefit?
6. If an eligible entity decides to join a consortium or to purchase additional services from within a consortium that it is already a member of, is it required to undergo the competitive bid/website posting process? If not, how does it receive Universal Service benefits on these services?
7. If an eligible entity decides to purchase services from an existing state contract/State network, is it required to undergo the competitive bid/website posting process before doing so? If not, how does that entity receive Universal Service benefits on these services?

8. Does a provider of supported services meet its record keeping requirements under this section of the Order by 1) retaining record of the information provided by the consortium regarding individual member discounts and usage levels; 2) retain record of how the consortium provided information was used to prepare bills reflecting Universal Service benefits; and 3) making this information available upon request to appropriate public authorities (auditors, state PSC, or Administrator?) Do these record keeping requirements apply to all providers of supported services to eligible entities?

Scenario 1: Healthcare

Consortium A is a telemedicine provider operating in two states (based on an actual customer situation). Its network is used exclusively for the provision of medically-related services. It is made up of four eligible rural healthcare clinics which are each in different LATAs. The consortium's administrative offices ("bill to") is located in an urban community with a population of greater than 50,000. Its facilities are currently connect by T-1s which were set up a year ago under a 3-year master agreement with an RBOC; the agreement makes services available to the consortium at discounted rates. For two of the locations, services are carried by an IXC for two thirds of their distance. One of the locations is serviced by a circuit which traverses two service areas in which the ILEC is a small independent telco. The consortium does not now access the internet; local access is not available at any of the clinic locations, but is for the urban headquarters.

Questions/Issues

1. Would services already in place be eligible for USF treatment?
2. Would the existing master agreement need to be rebid to satisfy the competitive bid requirement?
3. Could new services acquired under the master agreement also receive USF treatment?
4. Would application for funds under the agreement need to be submitted annually even when applied to in-place services?
5. If an urban HQ hospital is billed for services for multiple locations, some of which are in rural areas, are the services delivered to the rural locations eligible for Universal Service benefits?
6. The consortium is considering upgrading its network to provide the T-1s over Frame Relay. There are port charges at both ends of the circuit. Are the charges for the ports at the urban HQ end, which are integral to the provision of the service, eligible for Universal Service support?
7. If distance-sensitive usage is initiated from (and billed to) the HQ to an eligible clinic location, would the usage charges be eligible for relief?
8. What if the call is initiated from (and billed to) the clinic?
9. How would the involved RBOC, IXC and two independent ILECs determine what funds they might be eligible to receive from the USF?
10. Would each of them separately need to process Consortium A for eligibility, maintain related records, and provide detailed billing information?
11. How would the standard urban distance factor be calculated and applied in this case (since the consortium is operating in two states)?
12. How would applicable urban and rural rates be determined?

13. How would Consortium A solicit and receive a complete RFP from providers which would meet all their needs given their operation across state, LATA, and telco-service area boundaries?
14. If Consortium A wishes to gain Internet access, would it be compelled to do so from its HQ on an unsubsidized basis?
15. Could subsidized access be acquired from one of the clinic locations and then granted to the HQ via a LAN operating on the network?
16. If Consortium A formed a strategic alliance with ineligible urban Health System B, and B agreed to pay all of A's telemedical expenses in exchange for any acute-care referrals which might result, would the USF still provide relief to A's eligible locations?
17. If Consortium A wished to establish additional circuits originating at one of the eligible clinics and terminating at a legally-unaffiliated ineligible entity, would those circuits be eligible for relief?
18. How would the "up to the first 1.544 Mbps" provision of the Order apply in this sort of "additional line/new service" situation?
19. If Consortium A, or any of its associated individual clinic locations, were to enter into a consortium relationship with eligible government/school/library entities, how would service coverage be determined, prices be quoted, bills be issued?
20. What if the consortium also entered into agreements for CPE and/or inside wiring?

Scenario 2: Community Consortium

A consortium is formed in a medium-sized town in order to create sufficient network demand to attract advanced telecommunications services. The consortium consists of the local elementary and secondary schools, the town library, the community college, local government offices and a hospital. The entities in the consortium wish to purchase the following services:

- high speed Internet access, e-mail, web hosting services
- Frame Relay to connect to each other and other remote resources
- associated network hardware (routers, FRADs, servers, etc.)
- PBXs with additional features such as call accounting and voice mail, and voice trunks
- Videoconferencing CPE and transport to be used for distance learning, telemedicine, and meetings with other local governments in the state.
- InterLATA long distance

Questions/Issues

1. The services desired by the consortium include both USF eligible and ineligible services (i.e., Internet access with web hosting services) to be used by eligible and ineligible entities.
 - Which entities are responsible for applying for USF benefits? How are providers expected to issue bills to the consortia?
 - Who is responsible for ensuring that all members receive the appropriate benefit?
2. The consortium envisions using shared facilities for both eligible and ineligible purposes (i.e., video conferencing for distance learning and government meetings).
 - Who is responsible for identifying the usage that is/is not eligible for USF treatment?
 - How are providers expected to bill the consortia for this shared facility?
3. The elementary and high schools plan to drop out of the consortium during the summer and the hospital hopes to add two neighboring rural clinics to the network during the year.
 - Would the consortia be required to refile with the USF Administrator when such changes occur?
 - If a consortia files for USF benefits based on average discounts, of its members (i.e., schools and libraries) how would these membership changes affect the discounts applied?
 - How would providers know when and how to make changes to their bills?
4. The town plans to allow additional private entities to access the network at some point in the future in order to foster local economic development.
 - Would this mean that they cannot negotiate below-tariff rates for the consortium?

- Would the pre-discount rate for all participants (including schools and libraries) have to increase when private entities are added?
- 5. The consortium purchases both flat-rate and usage based services, where usage levels by the various entities vary from month to month.
- How is the correct Universal Service benefit applied to this varying usage by differing entities?